



# The Real Estate ANALYST

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values. Current Studies... Surveys... Forecasts

Volume XVII

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 44

## MORTGAGE ACTIVITY IS DROPPING

**S**YRACUSE, Springfield, Ohio, Youngstown, Evansville, St. Louis, Indianapolis, Columbus, Ohio, and Cleveland were the only eastern or midwestern cities covered in our mortgage survey that showed above-average activity for the first six months of 1948. Of these eight cities, four are in Ohio.

The most spectacular activity continues in the two sunshine cities of Miami and Los Angeles. Somewhat lower activity was recorded in Tulsa, Oklahoma City, Atlanta, Dallas and San Diego, but these five cities were all far above the national average. Of the thirty-eight cities covered by the survey, twenty are above the national average and eighteen are below. Of those below the national average, only one, Portland, Oregon, is west of Kansas City and none is south of Washington, D. C. Seattle provided the most drastic drop in mortgage activity of any of the cities surveyed. It recorded a fall of 34.0 points in six months, when it dropped from its January figure of 115.8 to a July figure of 81.8. This last reading is only fractionally above the national average.

The charts showing the results of the survey appear on pages 372 through 376. The figures have been adjusted for seasonal variations. Figures for Queens and the Bronx were obtained from the Savings Banks Trust Company of New York.

The figures for Dallas, Texas, and Yonkers, New York, are made up of new mortgages only. Each chart shows the county or counties covered by this survey. The five counties surveyed for San Francisco ranked in the following order: San Mateo, highest; Contra Costa; Marin; Alameda; and San Francisco County, lowest.

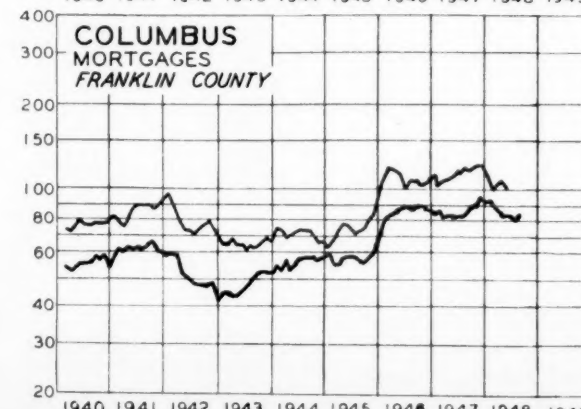
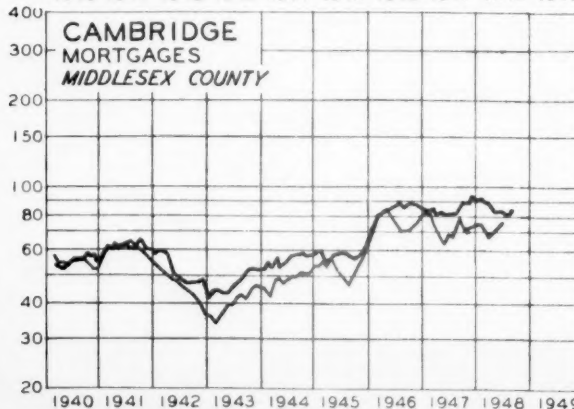
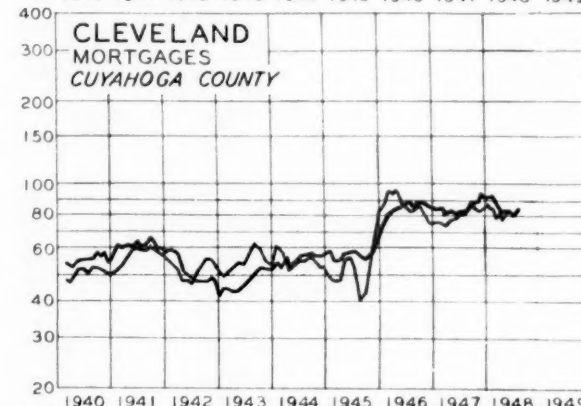
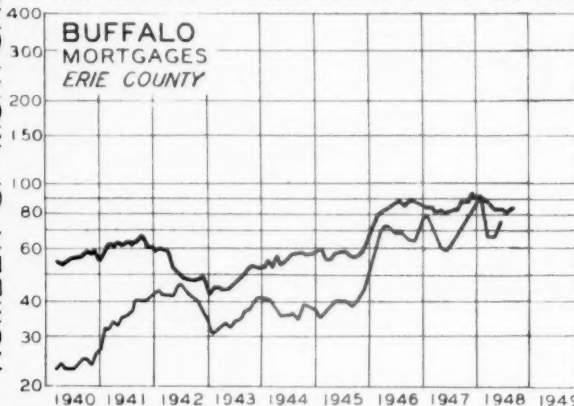
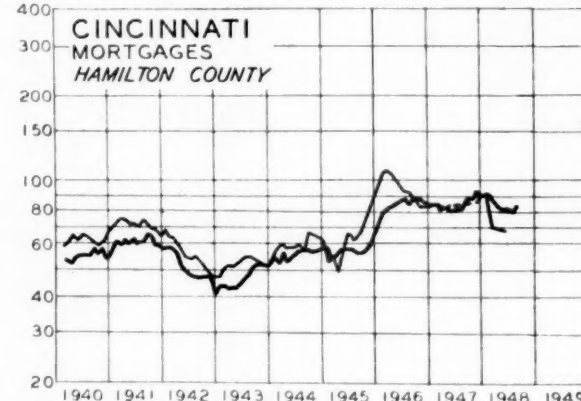
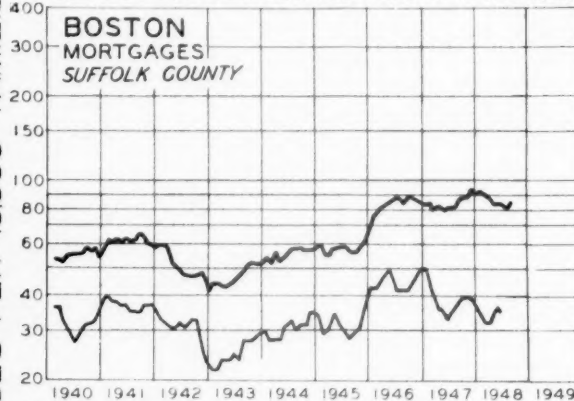
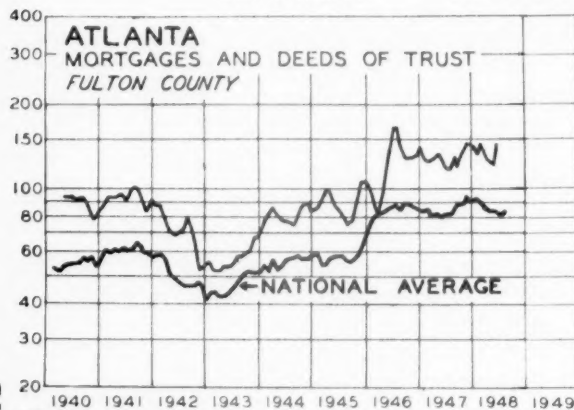
In comparing these cities in a general way, we find that the midwestern cities run fairly close to the national average, the eastern cities are below, and the southern and western cities are above the national average. Of the two Massachusetts cities, Cambridge is higher than Boston. Comparisons of the three lake metropolises show Cleveland at a higher level than Chicago or Detroit. Indianapolis is a bit steadier than Cincinnati - for the last six months. St. Louis, by sticking close to the national average, has shown a good deal higher activity than Kansas City, Missouri, and while both Oklahoma City and Tulsa have shown splendid activity, Oklahoma City is somewhat better. On the West Coast things seem to be slowing a bit, even though most of the cities there still show considerable vigor.

The national average (red line) shows that mortgage activity has been moving on a fairly even plateau ever since early 1946. We believe that the inflationary features of the new housing bill will cause mortgage activity to move upward again for the last half of this year.

# MORTGAGE ACTIVITY IN PRINCIPAL CITIES

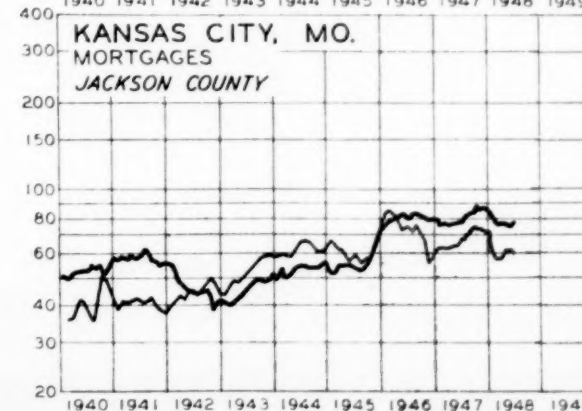
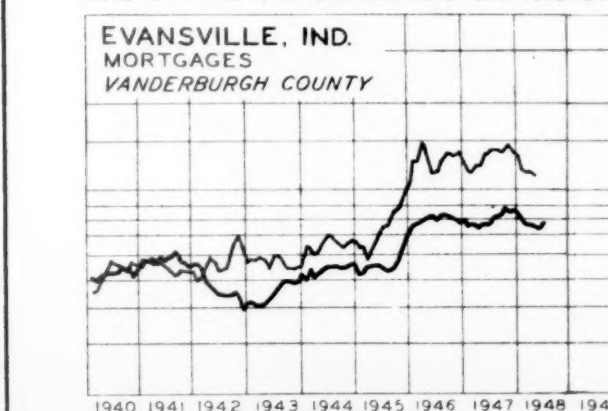
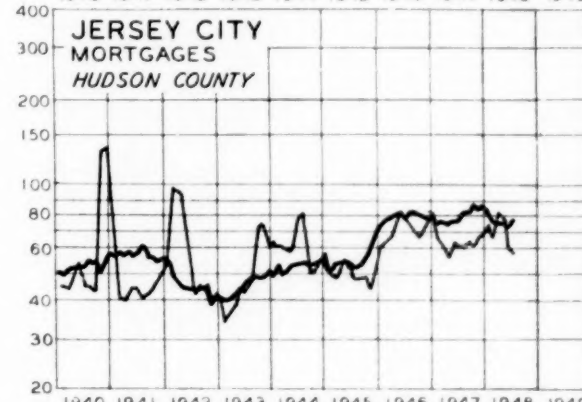
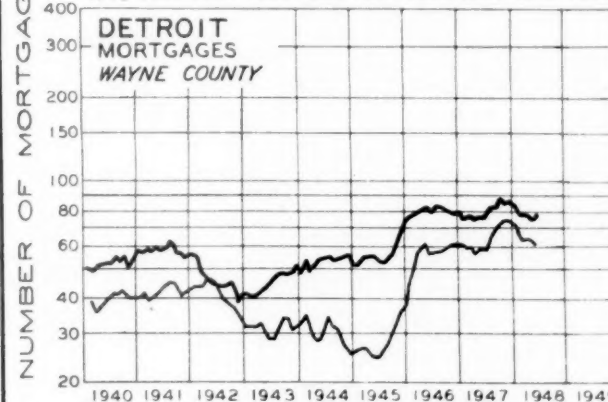
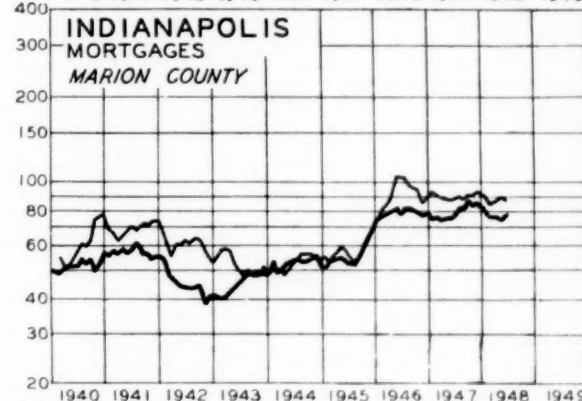
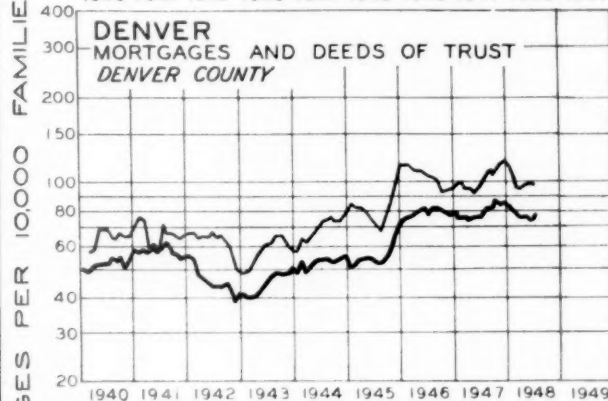
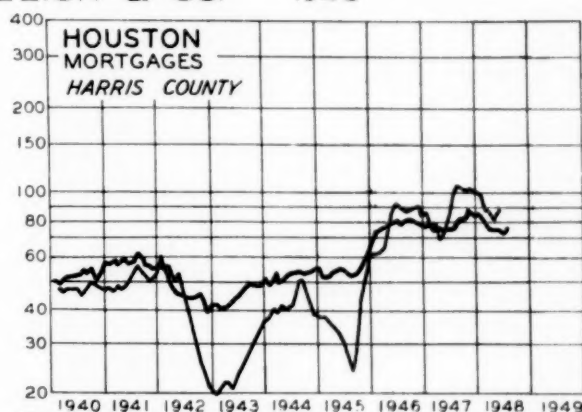
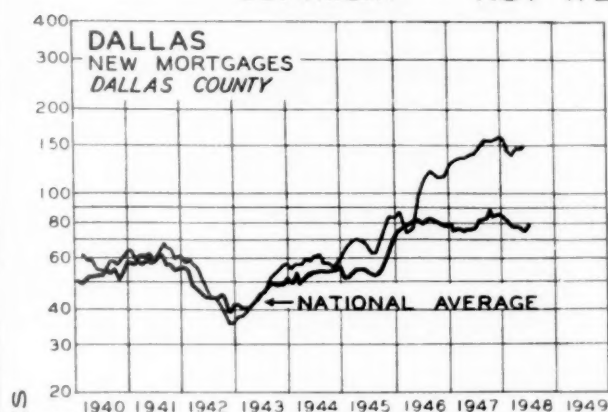
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NUMBER OF MORTGAGES PER 10,000 FAMILIES



# MORTGAGE ACTIVITY IN PRINCIPAL CITIES

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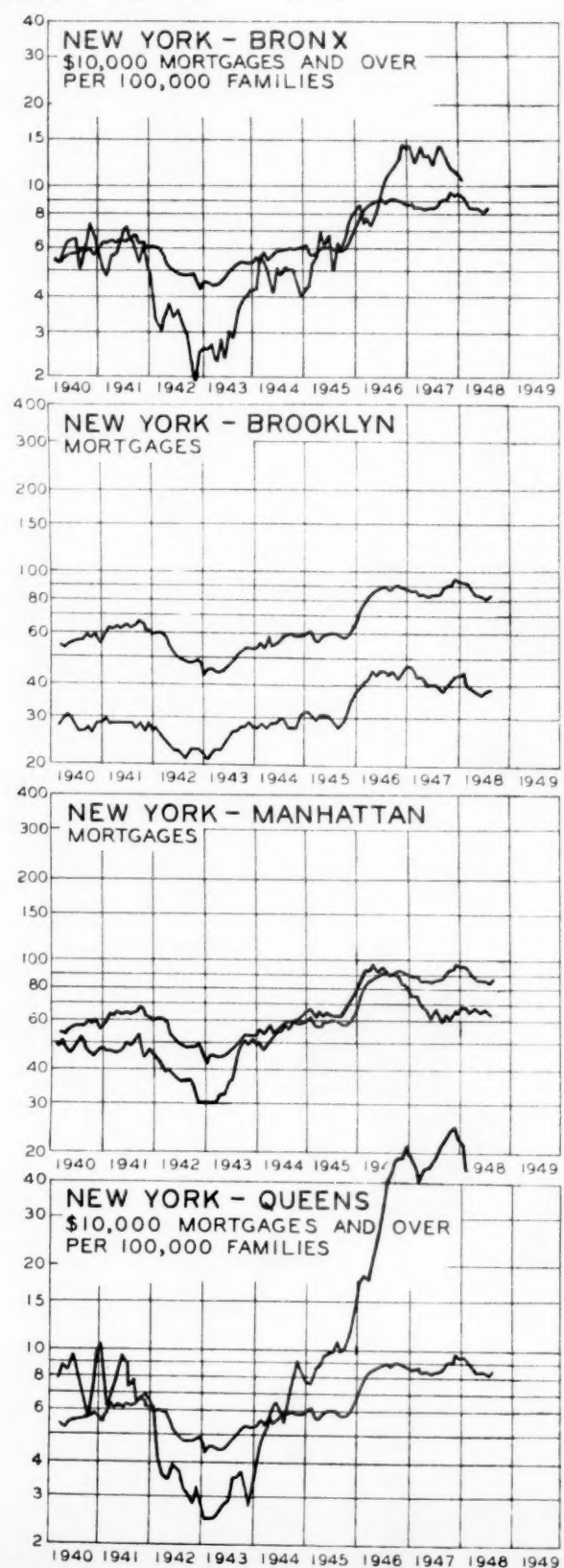
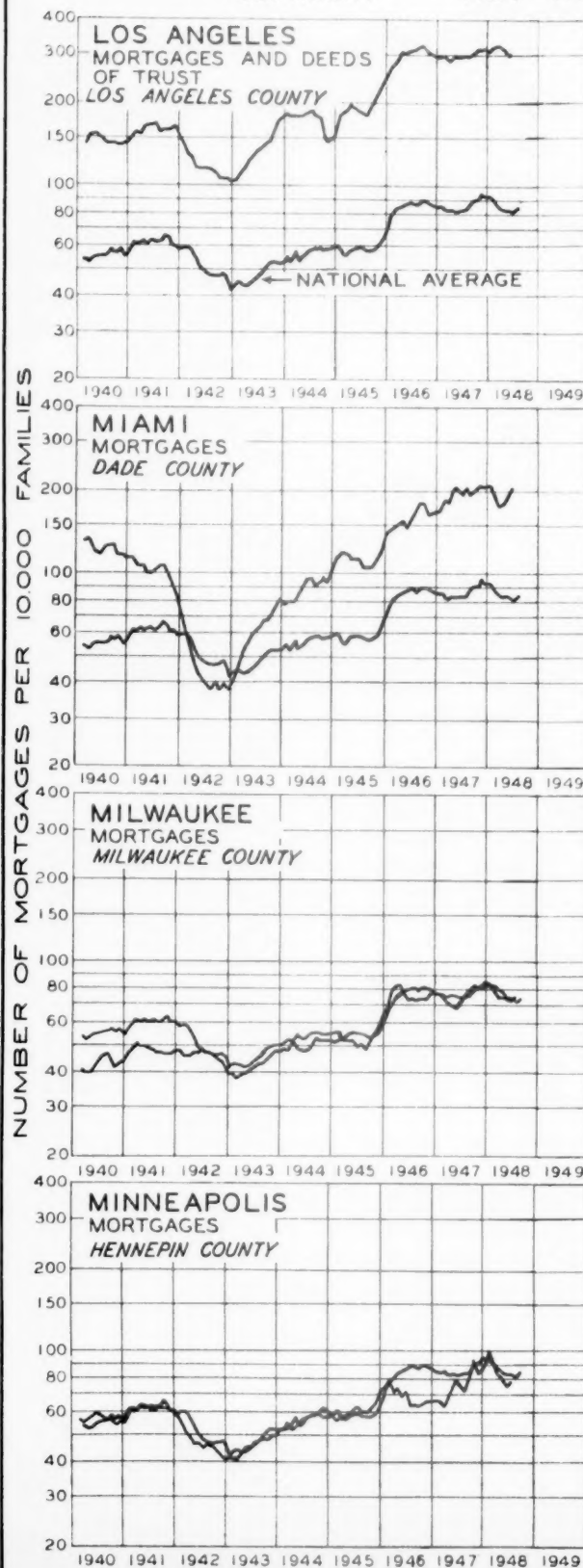


# MORTGAGE ACTIVITY IN PRINCIPAL CITIES

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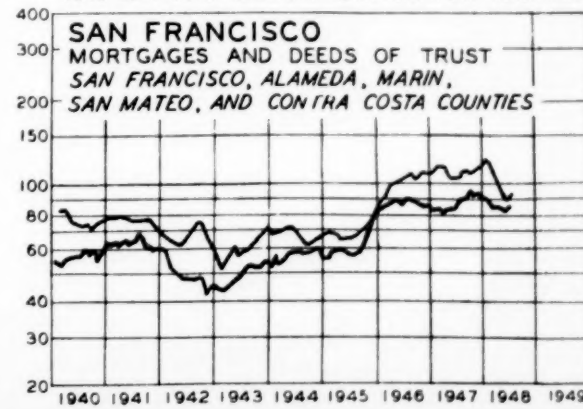
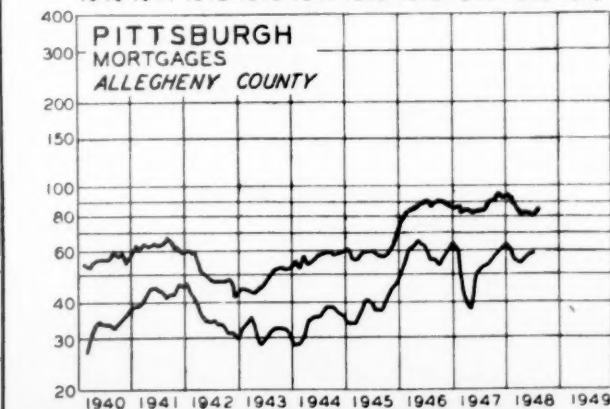
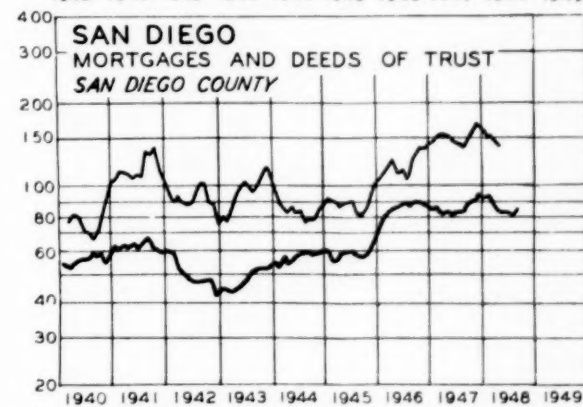
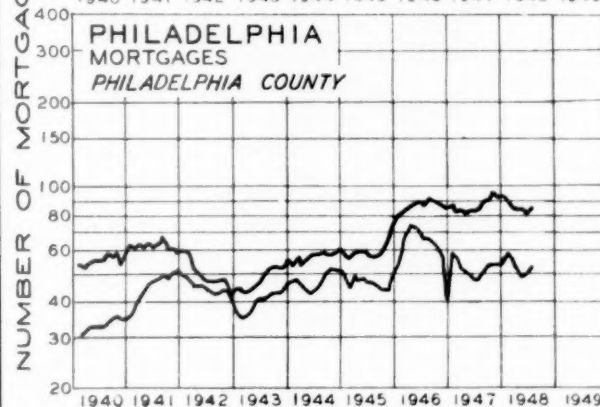
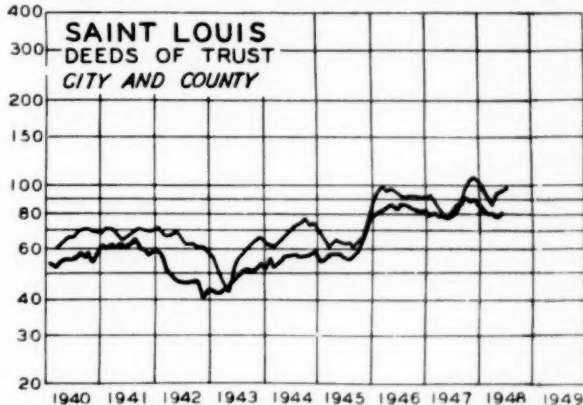
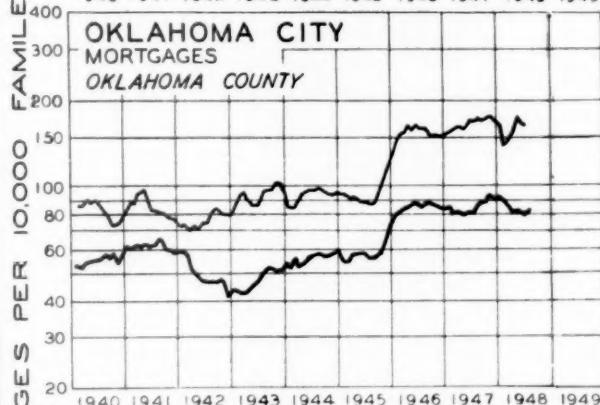
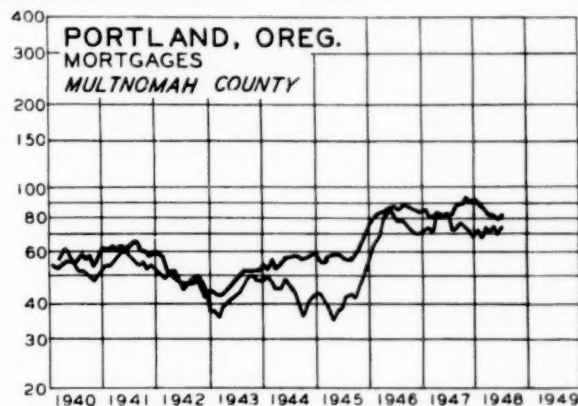
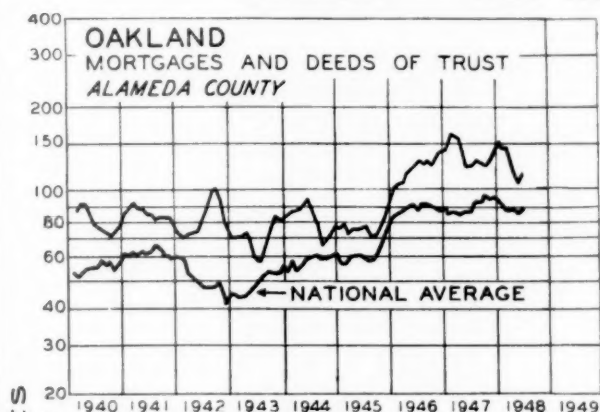


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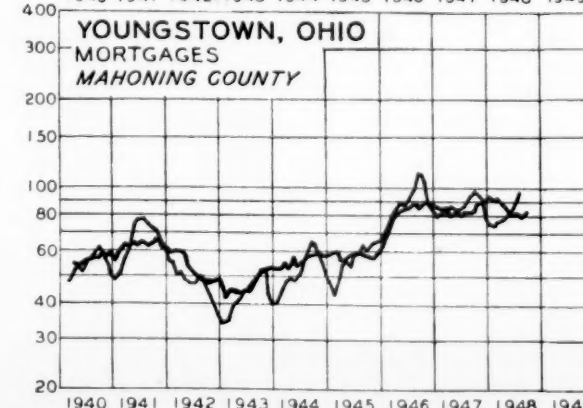
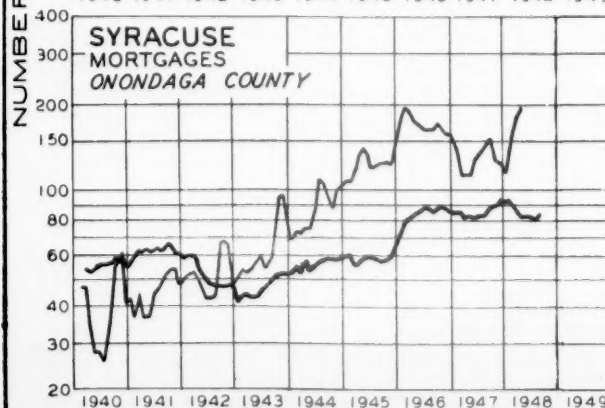
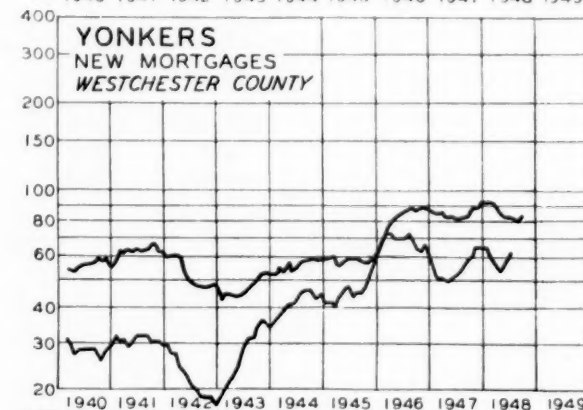
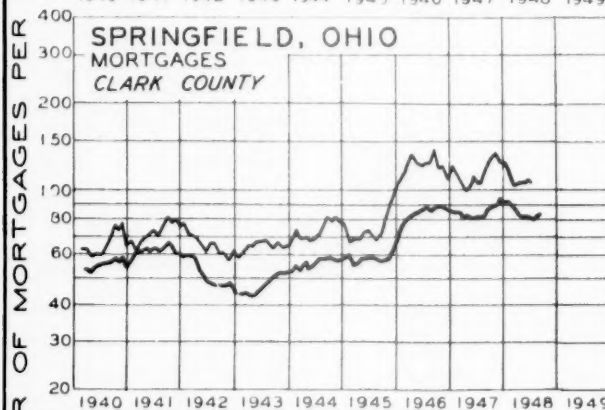
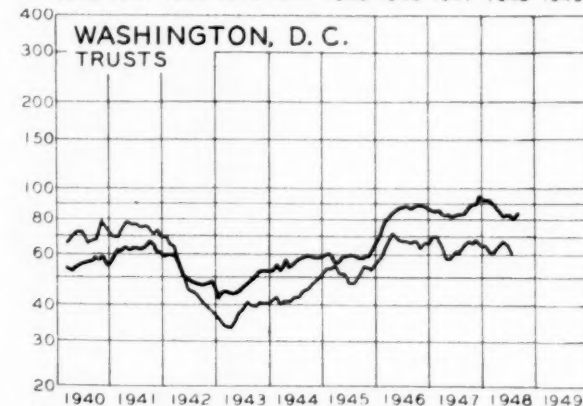
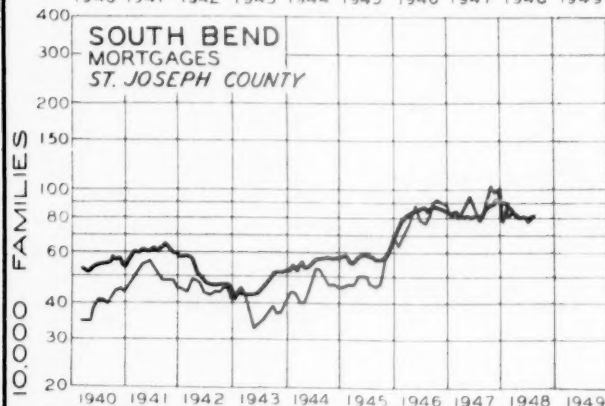
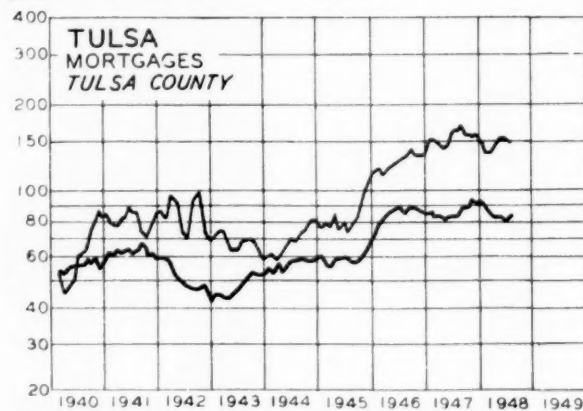
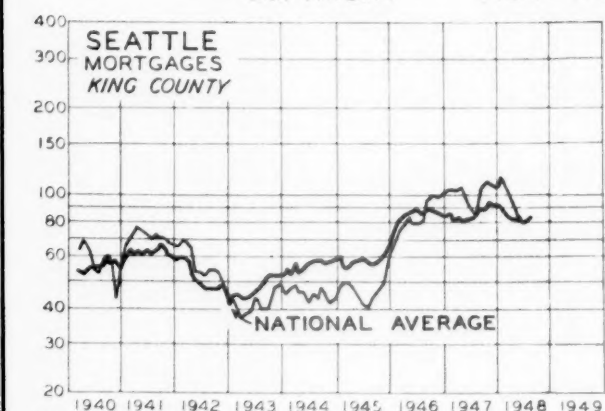


# MORTGAGE ACTIVITY IN PRINCIPAL CITIES

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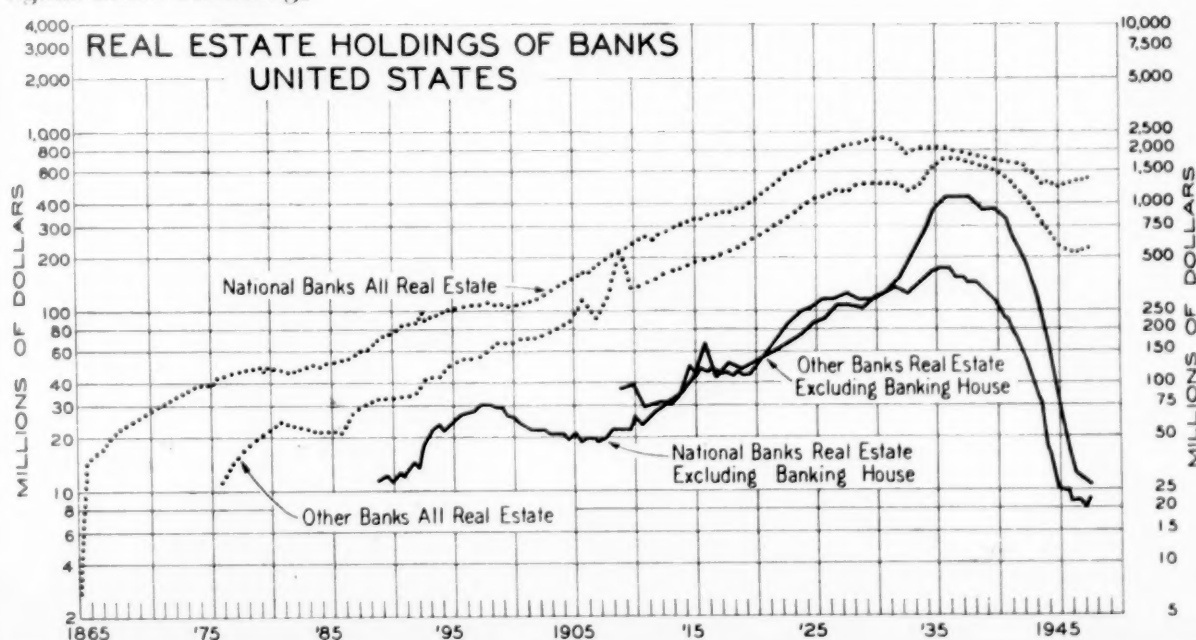
## DECLINE OF BANKS' REAL ESTATE SLOWS DOWN

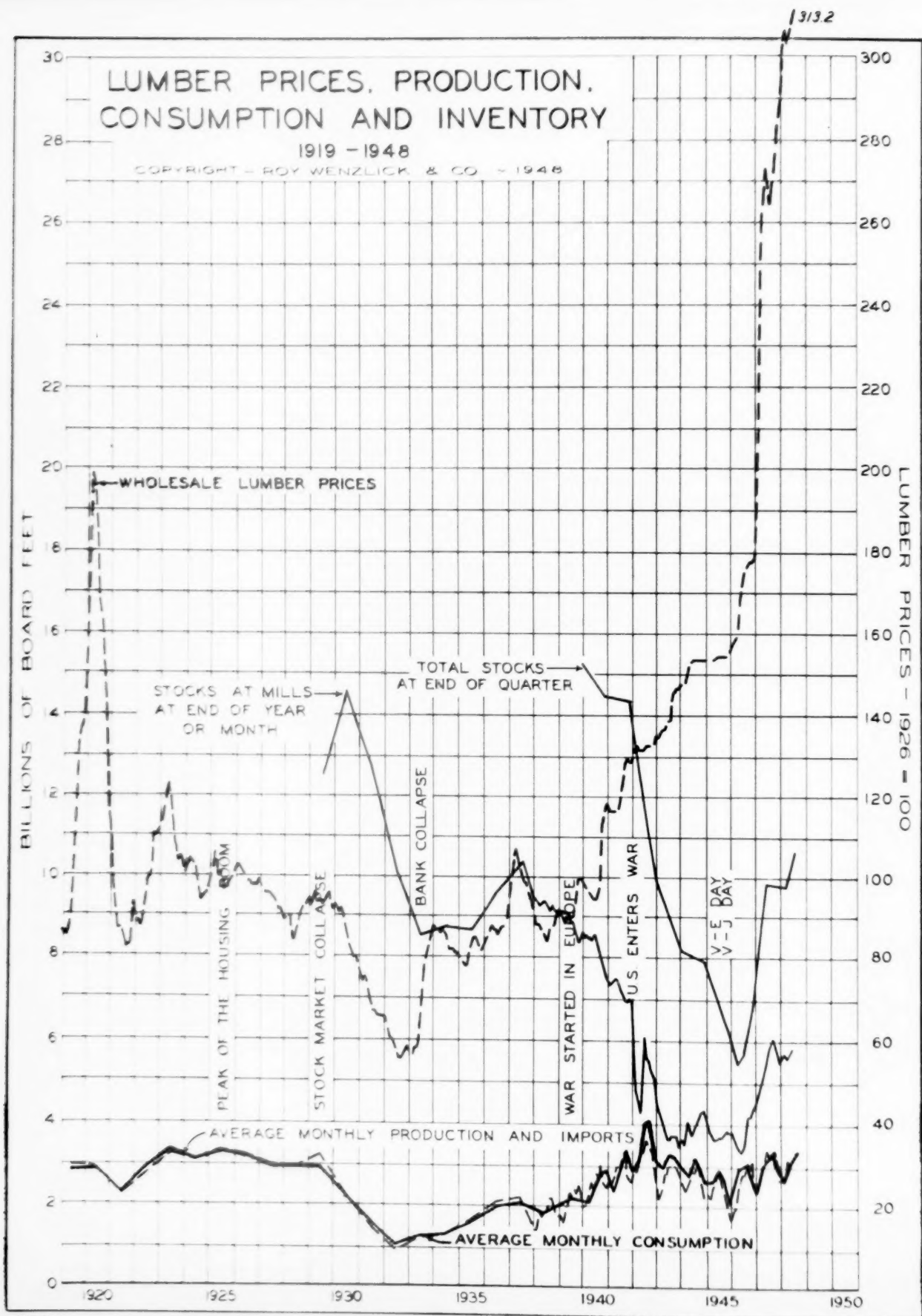
**T**HE chart at the bottom of the page shows the amount of real estate owned by banks in the United States from 1865 to the present. This chart does not deal with mortgages but shows only the real estate owned outright. The dotted lines depict all real estate owned, including the premises of the banks and their furniture and fixtures. The solid lines show the value of all real estate owned by banks, excluding the premises of the bank.

In examining this chart, attention should be focused on the two scales. The black scale at the left is to measure the rise and fall of the black lines representing national bank real estate values, while the red scale at the right deals with the red lines measuring the values of real estate owned by other banks.

From the peak years of 1936 through 1938 the "outside" real estate holdings of banks have fallen from around \$1.2 billion to about \$37 million. In the last few months, however, this rapid fall has begun to level off slightly. This is another index which indicates that the activity in older residential units is falling off. Most of the real estate owned by banks in 1940 was acquired through foreclosure during the depression. Therefore, most of the property is pretty old. As the housing shortage grew to its tremendous proportions, the banks very wisely began unloading their real estate - most of which was residential. The latest reading for the solid black line (national banks' holdings) is for June 1948 and shows a slight increase. When later figures become available for the red line (other banks' holdings - the last figure on the chart is for December 1947), we think that it will show a leveling off or a slight rise.

Real estate holdings of banks may not have reached their low point but they are very close to it. In fact, the "outside" real estate holdings are well under their previous low points. We think that after moving sideways for a while, the real estate holdings of banks will begin to reflect a rising foreclosure rate and will once again start climbing.







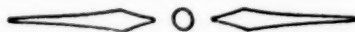
## LUMBER PRICES AND STOCKS CONTINUE TO CLIMB

**D**URING the year ending in June 1948 the wholesale lumber price index increased by almost 18 per cent. There is still a very strong demand for top grades of lumber, and prices of these grades will probably continue upward until at least the end of the year. In addition to rising stumpage costs, rising wages and rising freight rates, there have also been large increases in the cost of building logging roads and delays in obtaining up-to-date logging and saw mill equipment. Last September and in February of 1948 we guessed that the break in lumber prices would come some time during the later part of this year. Now we are not so sure. The new rise in freight rates will cause an increase in cost, and the new housing bill, an increase in demand. Neither factor is conducive to a drop in price.

The wholesale lumber price index is made up of prices of over 40 different species and grades of lumber from all regions of the country. It is, therefore, quite possible for local declines to take place in certain grades or types, while the index itself continues to climb. In fact, some declines have been taking place for the last few months in poorer grades.

Most mills (estimated at over 50,000) are operating at peak capacity, and indications are that the current year's production will go over that of 1947. The high production during the past few years has resulted in quite a rapid increase in total stocks. One of the big reasons for continued high lumber production is, of course, the increased number of marginal operators and marginal timberlands made possible by high lumber prices.

Total lumber stocks have risen from a low of 5.4 billion board feet (in mid-1946) to their present reading of 10.6 billion board feet. An increasing portion of these lumber stocks is made up of lower grades due to the fact that buyers are becoming more and more selective and are ordering practically all lumber by specific grades and sizes. Lumber buyers are also becoming increasingly cautious of a price break and are doing their best to keep inventories as low as practical.



## MINIMUM COSTS ON VETERANS' HOUSES

**I**N a recent hearing before the Committee on Veterans' Affairs, Walter E. Alessandroni, chairman of the American Legion national housing committee, called for rental housing in the \$40-to-\$50-a-month bracket as the answer to the veterans' housing problem. According to a survey of veterans' housing plans and living arrangements made by the Housing and Home Finance Agency, the monthly rental most veterans can afford is much nearer \$40 a month than \$50. This survey, completed in December 1946, placed the median rent veterans could afford at \$44 per month. Since that time the average veteran's salary has risen approximately 10 per cent, and if we assume that his rent-paying ability has also risen 10 per cent, then most veterans should now be able to pay around \$48 a month. This figure includes expenditures for heat, gas and electricity in addition to shelter rent. If we assume that the average monthly bill for these three items will total \$8, most veterans can today afford only \$40 a month shelter rent. Even this low figure will exclude over 30 per cent of those veterans seeking rental housing.

(cont. on page 380)

**MINIMUM COSTS ON VETERANS' HOUSES**  
(cont. from page 379)

If \$40 a month can be paid by most veterans, what kind of a house can be built and maintained at today's costs with that rental?

Most well-constructed houses with adequate conveniences built on today's market to rent for \$40 a month would contain about 340 square feet of livable area, would rent for \$1.40 per square foot per year, and would not meet the minimum space requirements for FHA insurance. If this type house contains four rooms, it would have an average of 85 square feet per room, in comparison to an average of 254 square feet per room in the three houses featured in our Real Estate Trends Bulletins (standard six-room frame, six-room brick, and five-room brick veneer).

With a rental of \$480 per year, taxes, insurance, maintenance and depreciation (at 2 per cent per year) would leave a net annual income of \$190. If we consider 6 per cent return an adequate inducement for risk capital, the total investment per house could not exceed \$3,180. Of this \$3,180, the cost of the land, streets, sewers, water mains, driveways, concrete slab (for car), and car port would come to around \$750 per lot (50 feet x 125 feet). This leaves \$2,430 with which to build the house.

In going over cost figures from 13 different contractors building small homes for veterans (summarized at the bottom of the next page), we found the average cost to be 63¢ per cubic foot and the average area to be 838 square feet. Since the house we are discussing is so much smaller, a higher cost per cubic foot seems unavoidable. If we use a cubic cost of 65¢, the \$2,430 would build a house containing only 3740 cubic feet, and if we use a height of 10 feet 6 inches, we find the ground area of the house to be 356 square feet. This area figures down to outside dimensions of roughly 18 feet x 20 feet, and if we deduct 6 inches from each dimension for wall thickness, we have an inside area 17 feet 6 inches x 19 feet 6 inches, or 340 square feet of living space.

Minimum FHA space requirements for one- and two-family units are as follows:\*

	Min. Area Sq. Ft.
1. <u>Living-Dining-Cooking.</u>	
a. Living room . . . . .	150
b. Living-dining combination . . . . .	160
c. Living-dining-kitchen combination	
in living unit of 1-bedroom . . . . .	210
in living unit of more than 1-bedroom	220
d. Kitchen-dining combination . . . . .	90
e. Kitchen in living unit of 1-bedroom . . .	50
f. Kit. in liv. unit of more than 1-bedroom	60
g. Dining room or dining alcove . . . . .	70

\*Minimum property requirements for properties of one or two living units located in the State of Missouri, issued by Federal Housing Administration - revised October 1946.

	Min. Area Sq. Ft.
2. <u>Bedrooms.</u>	
a. Major bedroom: minimum floor area . . .	110
b. 2nd bdrm. of liv. units of over 2-bedrooms	100
c. 2nd bdrm. of 2-bedroom living units . . .	70
3. <u>All other Habitable Rooms.</u> Min. floor area	70

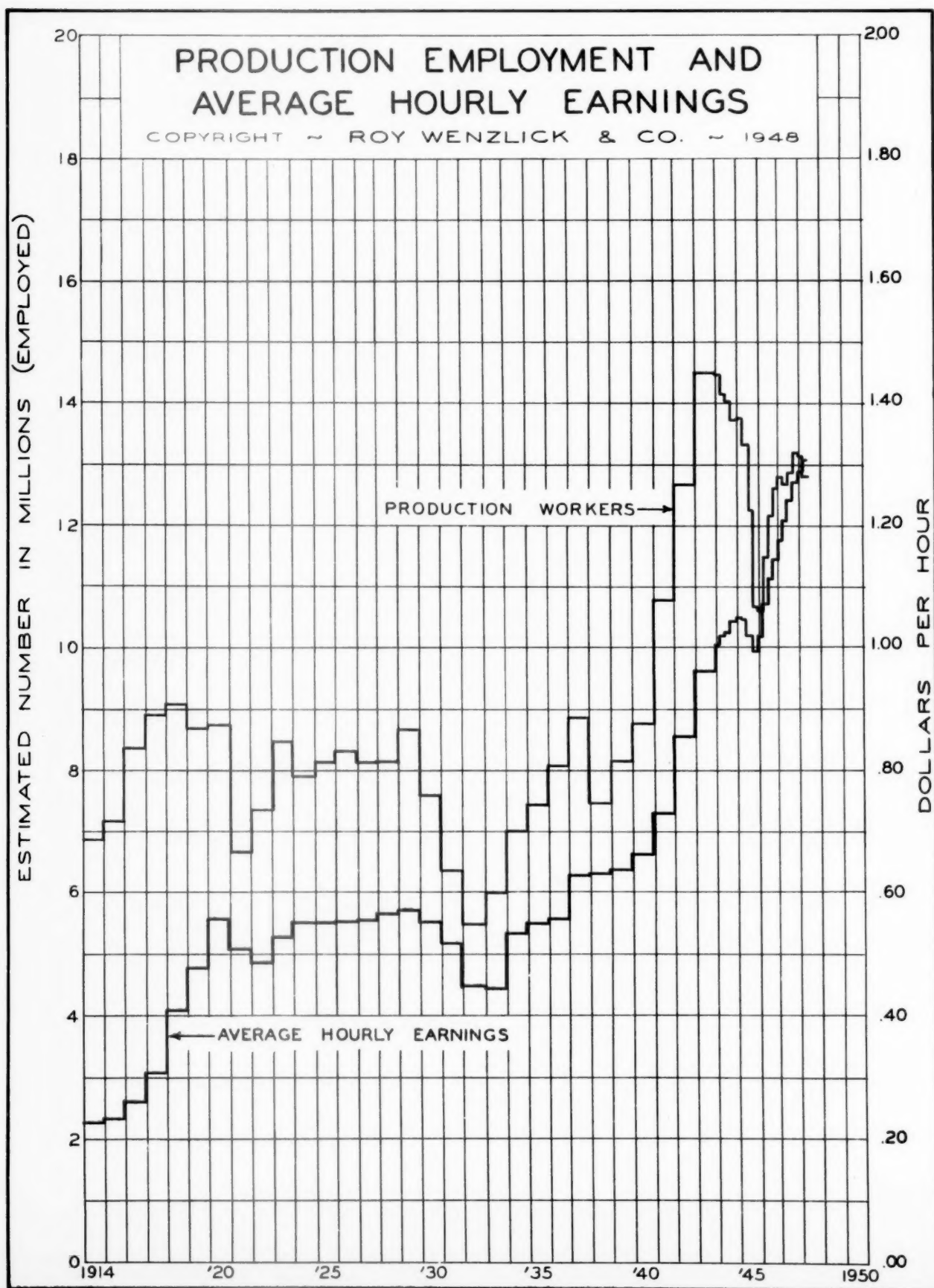
In addition to these requirements there are approximately 39 square feet of storage space and bathroom space adequate to inclose water closet, lavatory and tub and provide for 90° door opening. From these minimum requirements it can be seen that a house of only 340 square feet would fail to meet the approval of the FHA for loan insurance.

Providing some arrangements could be made to finance such houses under FHA, we believe that any living quarters so small as these would stay occupied only so long as the housing shortage remained acute. As the shortage diminished, vacancies would force the \$40-a-month rent to a lower level, and ultimately most of these houses would follow their larger and more luxurious brothers through foreclosure.

We realize that in certain localities and under very favorable conditions it is possible to put up suitable houses at lower costs than those used in this study. We also realize that during the first few years maintenance on the new houses would be very small. We are, however, considering the usual case rather than the exception, and the long-range view rather than the short.

<u>Location</u>	<u>No. rooms</u>	<u>Sq. ft. area</u>	<u>Cubic cost</u>
Mississippi	5	840	63¢
Indiana	4	730	66¢
Georgia	4	700	61¢
Arkansas	4	700	60¢
Oregon	3-1/2	600	71¢
Arizona	6	1090	62¢
Alabama	5	915	63¢
Illinois	4	784	62¢
Indiana	5-1/2	1020	59¢
Texas	4-1/2	803	61¢
California	5-1/2	971	67¢
Maryland	5-1/2	988	64¢
New York City	4	750	57¢
Average size and cost		838	63¢

All of the above houses are built without basements, on a concrete slab and are one story (10-1/2 feet) in height. The average contains 8800 cubic feet and costs \$5,544. They should sell for about \$7,200, including lot. The average cost per square foot is \$6.60.





## PRODUCTION EMPLOYMENT AND HOURLY EARNING

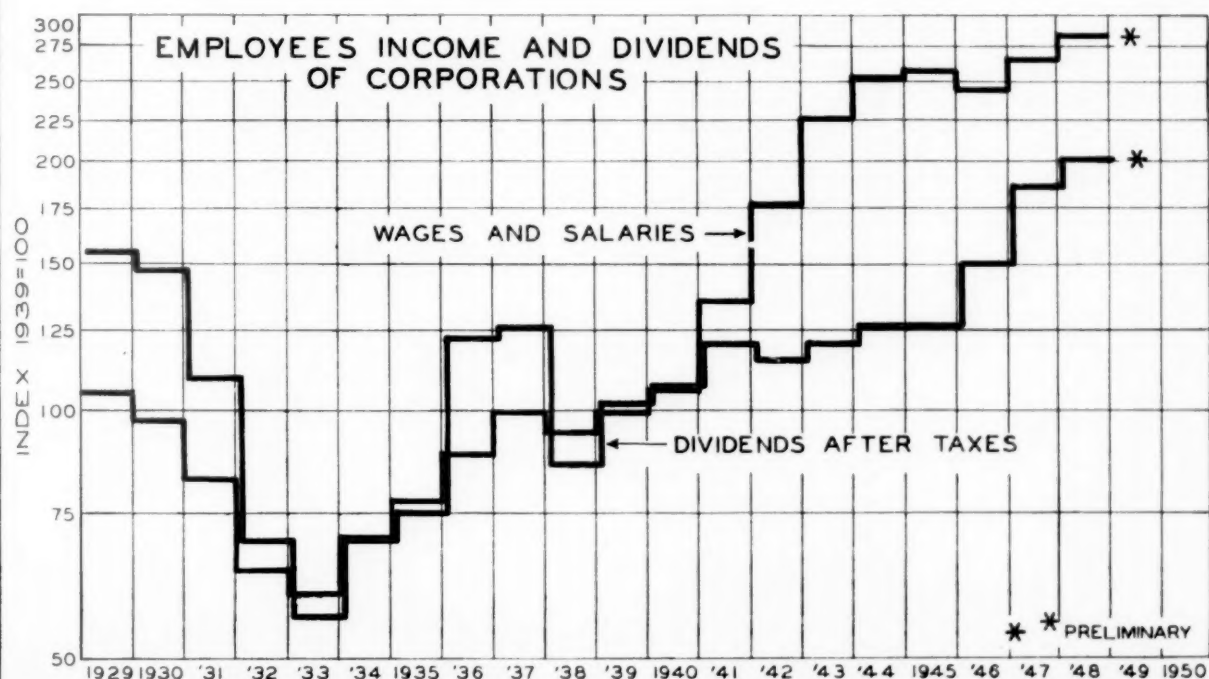
THE black line on the opposite page designates the number of production workers in manufacturing industries from 1914 through July 1948, and the red line shows the gross average hourly earnings of those workers for the same period. Average weekly earnings reached an all-time peak of \$52.96 in July 1948. The low point was in 1914 when this class of workers averaged \$11.08 for a 49.4-hour week. In 1939 the average manufacturing worker received \$23.86 for a 37.7-hour week. The average week in July 1948 was 39.8 hours.

The peak of production employment came during the war in the late part of 1943, when over 14.5 million workers were employed. This high figure was made possible by the employment of large numbers of women, most of whom have now returned to housekeeping.

The earnings of capital have not shown nearly so spectacular a rise as the earnings of labor. For years one of labor's favorite topics has been the unreasonable earnings of corporate stockholders. A large segment of the population, including many otherwise well-informed people, believe sincerely that corporations and their stockholders reap enormous profits.

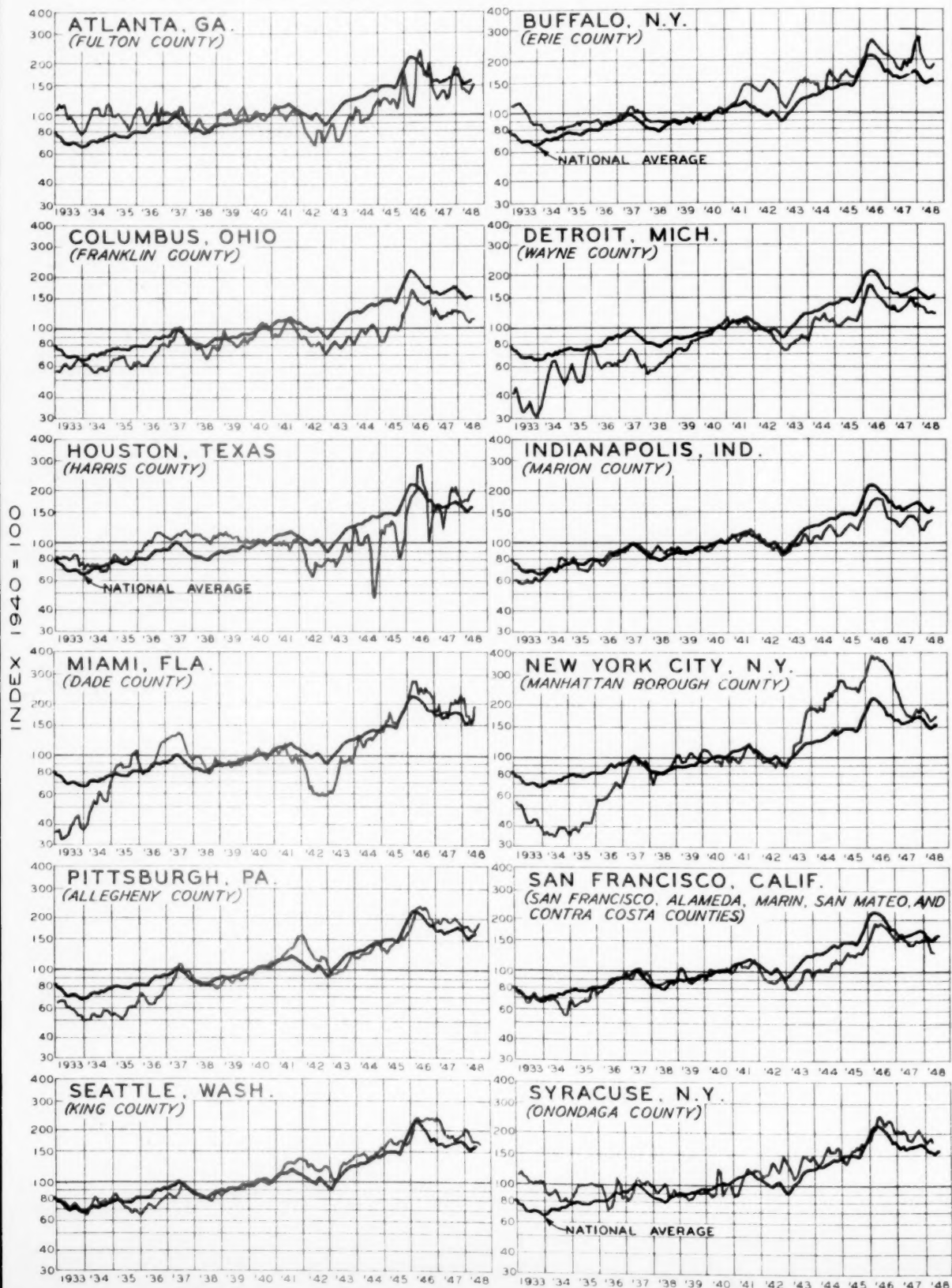
In some cases this has been true, but in the past few years the wages of capital have on the average been far below the wages of labor.

The chart below shows the rate of increase of wages and salaries paid by corporations compared with the rate of increase of dividends paid by those same corporations from 1929 to the present. Naturally, the 1948 figure is preliminary. With the year 1939 as the base year, the wages of labor have increased 185 per cent, while the wages of capital have increased 97 per cent.



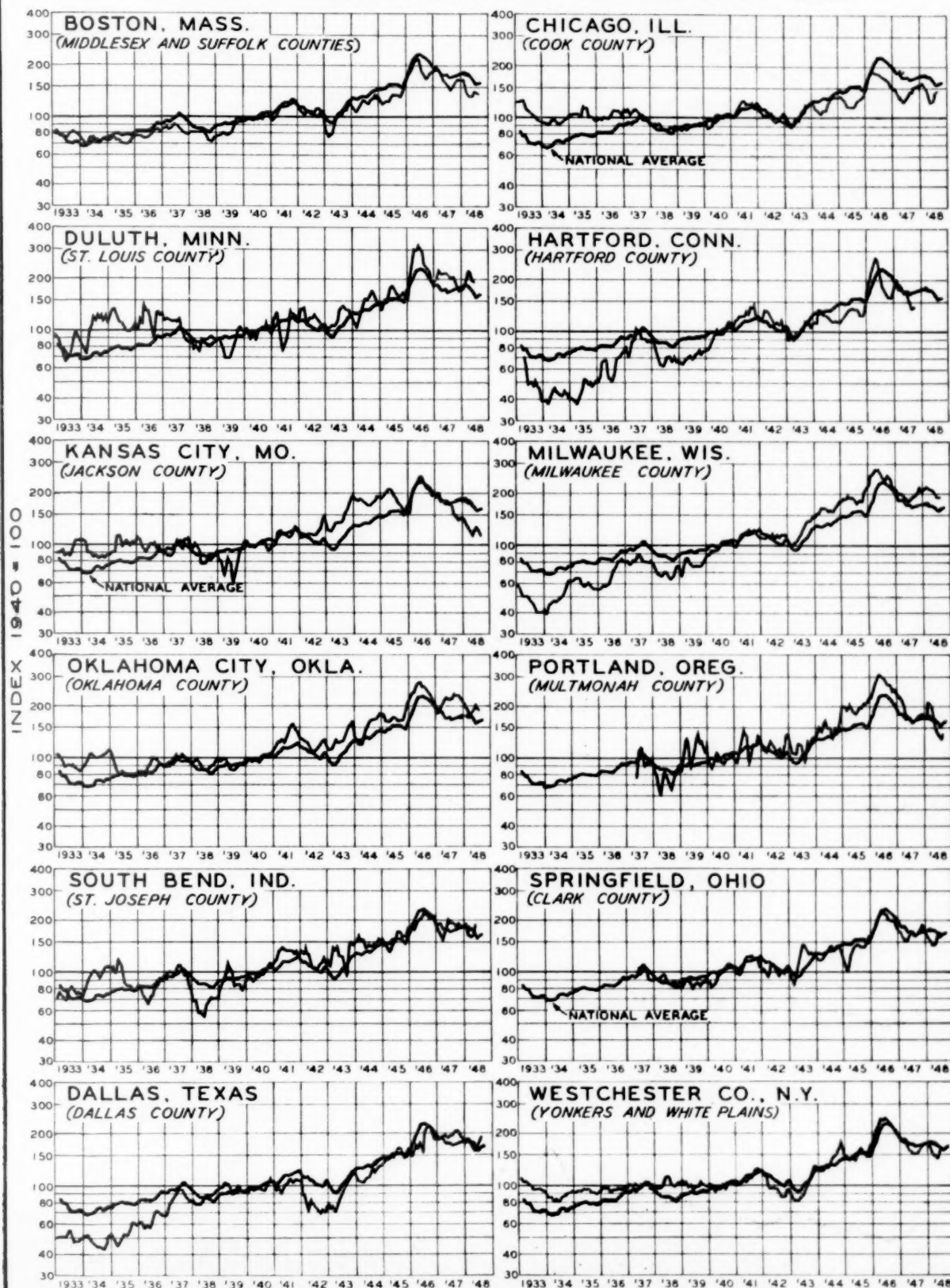
# REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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# REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

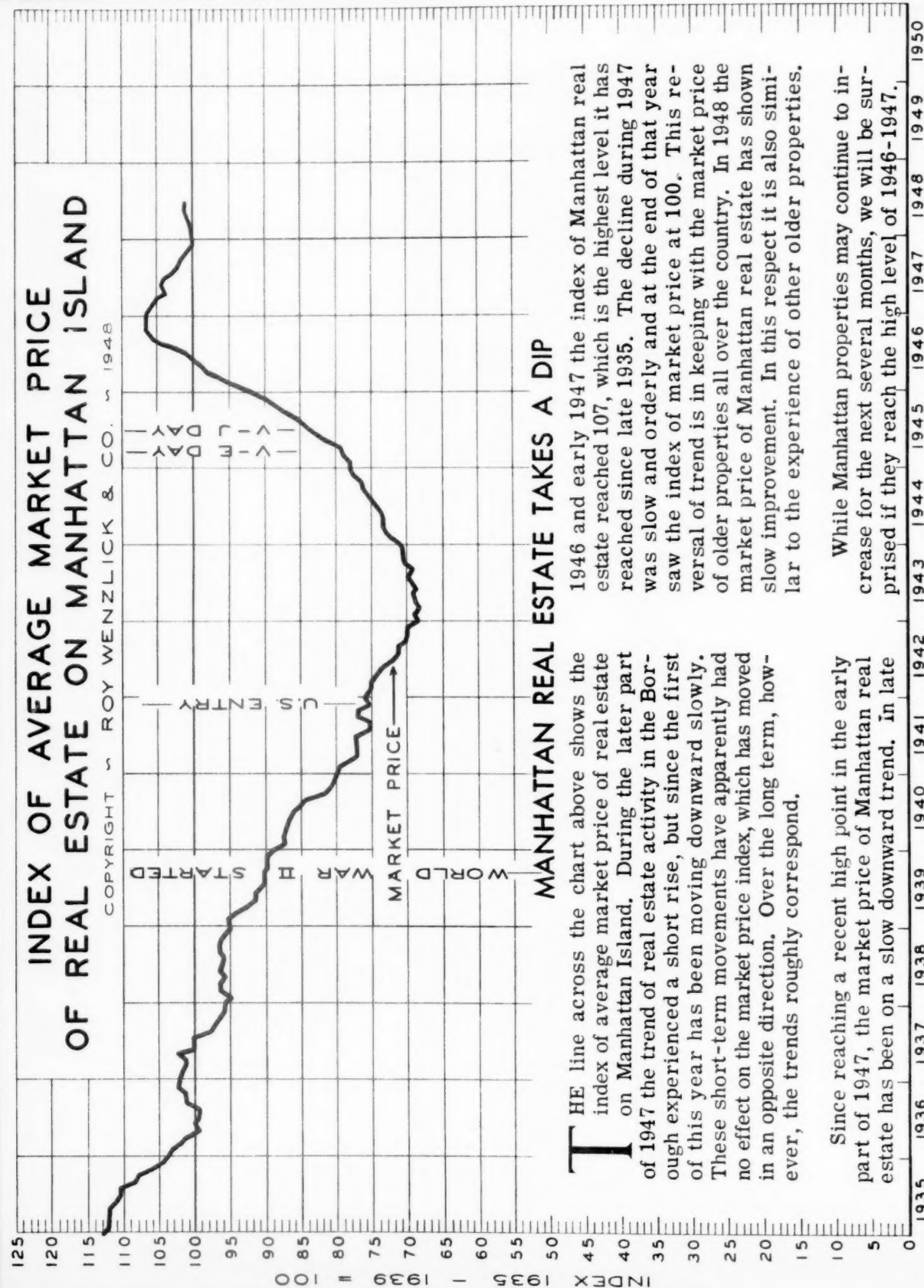
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# INDEX OF AVERAGE MARKET PRICE OF REAL ESTATE ON MANHATTAN ISLAND

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## MANHATTAN REAL ESTATE TAKES A DIP

THE line across the chart above shows the index of average market price of real estate on Manhattan Island. During the later part of 1947 the trend of real estate activity in the Borough experienced a short rise, but since the first of this year has been moving downward slowly. These short-term movements have apparently had no effect on the market price index, which has moved in an opposite direction. Over the long term, however, the trends roughly correspond.

Since reaching a recent high point in the early part of 1947, the market price of Manhattan real estate has been on a slow downward trend. In late

1946 and early 1947 the index of Manhattan real estate reached 107, which is the highest level it has reached since late 1935. The decline during 1947 was slow and orderly and at the end of that year saw the index of market price at 100. This reversal of trend is in keeping with the market price of older properties all over the country. In 1948 the market price of Manhattan real estate has shown slow improvement. In this respect it is also similar to the experience of other older properties.

While Manhattan properties may continue to increase for the next several months, we will be surprised if they reach the high level of 1946-1947.